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Greening the post-Covid-19 recovery

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In the midst of the Covid-19 crisis, environmental activists, international financial institutions, investor groups backing trillions of \$ of assets under management, and policymakers across the political divide united in their calls for a “green” recovery to help decarbonise the global economy and achieve net-zero greenhouse gas (GHG) emissions by 2050.



From a climate change perspective, there is great urgency in these calls. While global GHG emissions for the year 2020 are [now expected to decline by 8%](#) as the result of an unprecedented fall in energy demand, current and future stimulus spending by governments has the potential to more than undo these temporary gains and further enshrine a “brown”, carbon-intensive, business-as-usual pathway. This would make it virtually impossible to slow the rise in global average surface temperatures in line with the Paris Agreement on Climate Change.

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Economic stimulus packages around the world have to date included a mix of direct cash payments to households, grants to businesses to offset losses and protect jobs, additional unemployment benefits, loan guarantees, and recapitalisation through the issuance of

pandemic-related bonds and use of subordinated debt instruments, among others.

Beyond these immediate support measures to steady economies in crisis, some investment has gone towards sustainability improvements in the power and transportation sectors, for example through expanded electric vehicle (EV) subsidy schemes, but significant amounts have so far been allocated to more traditional, fossil fuel-reliant industries.

Investments in [new coal-fired power plants in China](#) sit alongside the [suspension of licence and exploration fees](#) for the mining and petroleum sectors in Australia. Around the world, [bailouts for a struggling aviation industry](#), a fast-growing contributor to climate change, have come with few to no environmental strings attached. And non-fiscal measures have been brought to bear as well, for example in the United States, where the Environmental Protection Agency (EPA) announced an enforcement discretion policy, in effect a relaxation of environmental standards criticized as an [“open licence to pollute.”](#)

By contrast, the [European Commission’s recently announced €750bn stimulus proposals](#) have earmarked large

amounts for renewables, green transport, energy efficiency measures and a fivefold increase of a proposed “just transition fund” to €40bn to accelerate a shift away from coal. But given the EU’s decreasing share of global GHG emissions, even a predominantly climate-aligned stimulus package would not make a significant difference over the long term unless key growth regions like the Asia-Pacific follow suit.

In April, [South Korea raised its ambition with the new government promising a “Green New Deal”](#) modelled on EU proposals and including the phase-out of coal financing. However, the global downturn poses risks for energy investment across the board and, according to energy and resources



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consultancy [Wood Mackenzie](#), there is potential for the postponement or cancellation of up to 150 gigawatts of wind and solar power projects across the Asia-Pacific due to post-pandemic financing constraints. While experts agree that the continued growth of renewables and interrelated decline of coal may be slowed but not halted by the current crisis, any delay in the transition to a zero-carbon future is bad news for the global climate.



A recent [Ipsos Mori poll](#) shows clear majorities around the world in favour of governments prioritising climate change in their post-Covid-19 economic recovery plans. It is now incumbent on advocates of a climate-friendly recovery to up their game and make the case for policy change at all levels of political authority. According to analysis published by [Oxford University’s](#)

[Smith School of Enterprise and Environment](#), “green” fiscal stimulus measures can lead to greater economic and social returns than traditional “brown” ones. A cleaner, more prosperous, more inclusive economy, resilient to future crises, is within reach if this argument succeeds.

Photos:

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